

JONES COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013

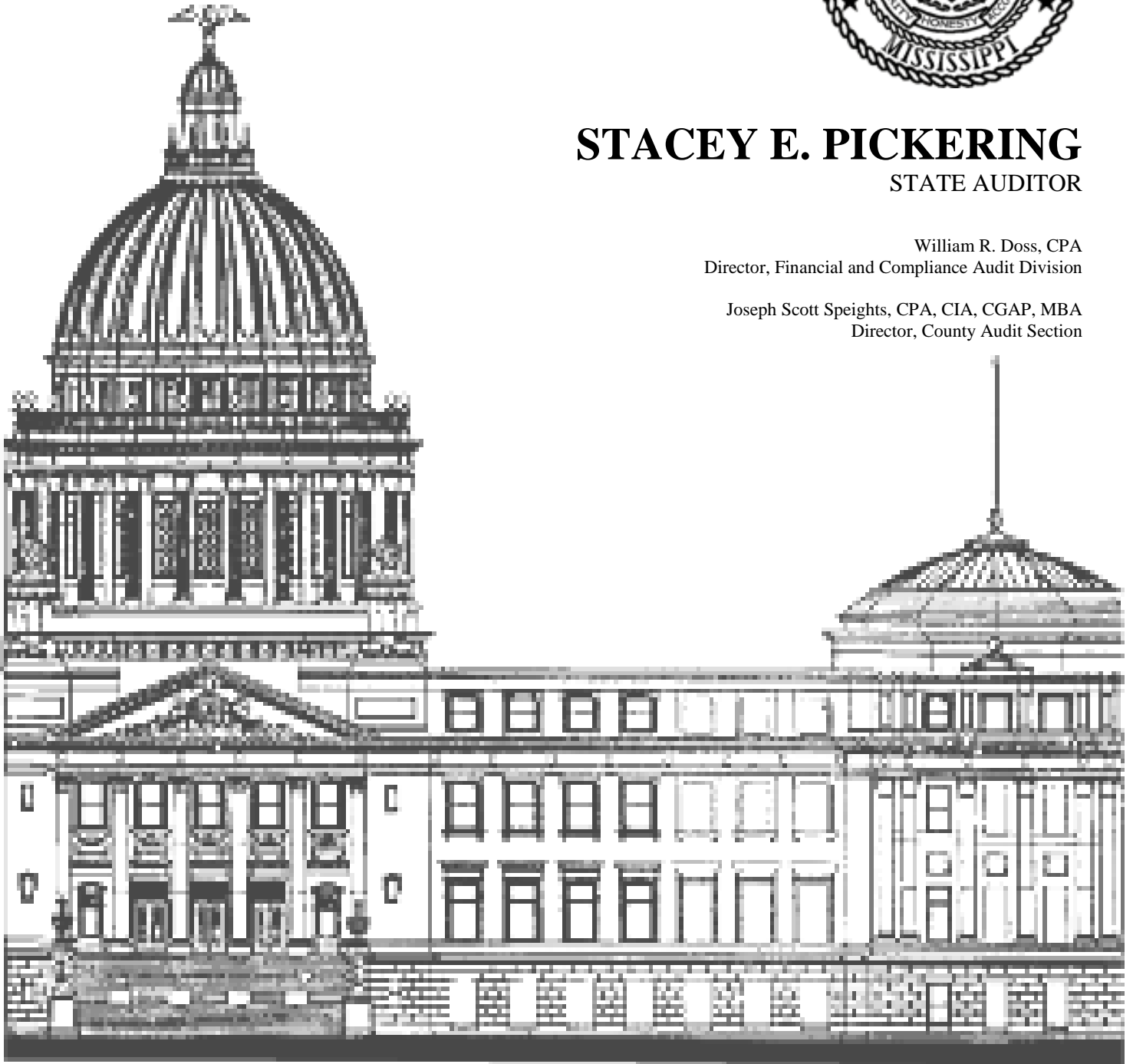


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

November 13, 2014

Members of the Board of Supervisors
Jones County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Jones County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Jones County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jones County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

JONES COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	7
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Statement of Fiduciary Assets and Liabilities	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	41
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	43
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Howard Industries Fund	44
Notes to the Required Supplementary Information	45
SUPPLEMENTAL INFORMATION	47
Schedule of Expenditures of Federal Awards	48
OTHER INFORMATION	51
Schedule of Surety Bonds for County Officials	53
SPECIAL REPORTS	55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	59
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	61
Limited Internal Control and Compliance Review Management Report	67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	73

JONES COUNTY

FINANCIAL SECTION

JONES COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jones County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Jones County, Mississippi, as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Major Enterprise Fund

As discussed in Note 10 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities and the Garbage Fund, and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities, the business-type activities and the Garbage Fund. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, the business-type activities and the Garbage Fund is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, and Major Enterprise Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and the Garbage Fund of Jones County, Mississippi, as of September 30, 2013, and the change in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Howard Industries Fund, the Countywide Bond and Interest Sinking Fund and the aggregate remaining fund information of Jones County, Mississippi, as of September 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Omission of Required Supplementary Information

Jones County, Mississippi, has omitted the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

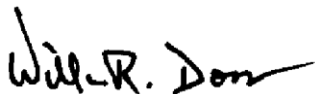
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, on our consideration of Jones County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jones County, Mississippi's internal control over financial reporting and compliance.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 13, 2014

JONES COUNTY

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JONES COUNTY

FINANCIAL STATEMENTS

JONES COUNTY

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JONES COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 10,683,373	116,895	10,800,268
Property tax receivable	16,046,748		16,046,748
Accounts receivable (net of allowance for uncollectibles of \$1,370,639)		277,421	277,421
Fines receivable (net of allowance for uncollectibles of \$5,072,303)	2,288,868		2,288,868
Loans receivable (net of allowance for uncollectibles of \$227,099)	750,000		750,000
Capital leases receivable	11,800,000		11,800,000
Intergovernmental receivables	364,926		364,926
Other receivables	20,193		20,193
Internal balances	74,116	(74,116)	
Deferred charges - bond issuance costs	954,253		954,253
Capital assets:			
Land and construction in progress	1,046,279		1,046,279
Other capital assets, net	86,735,209	453,941	87,189,150
Total Assets	130,763,965	774,141	131,538,106
LIABILITIES			
Claims payable	813,699	61,648	875,347
Intergovernmental payables	666,444		666,444
Accrued interest payable	504,498	4,947	509,445
Deferred revenue	16,046,748		16,046,748
Unearned revenue		168,473	168,473
Amounts held in custody for others	248,944		248,944
Long-term liabilities			
Due within one year:			
Capital debt	4,281,470	160,689	4,442,159
Non-capital debt	1,150,000		1,150,000
Due in more than one year:			
Capital debt	41,649,684	264,449	41,914,133
Non-capital debt	12,135,030	34,770	12,169,800
Total Liabilities	77,496,517	694,976	78,191,493
NET POSITION			
Net investment in capital assets	41,850,334	28,803	41,879,137
Restricted for:			
Nonexpendable	51,949		51,949
Expendable:			
General government	78,250		78,250
Public safety	725,131		725,131
Public works	7,338,710	50,362	7,389,072
Culture and recreation	45,119		45,119
Unemployment compensation	45,798		45,798
Unrestricted	3,132,157		3,132,157
Total Net Position	\$ 53,267,448	79,165	53,346,613

The notes to the financial statements are an integral part of this statement.

JONES COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,310,973	1,713,325	4,802,742	22,070	(2,772,836)		(2,772,836)
Public safety	8,070,495	927,156	688,482	20,792	(6,434,065)		(6,434,065)
Public works	10,883,620		276,169	128,255	(10,479,196)		(10,479,196)
Health and welfare	2,824,381		323,235		(2,501,146)		(2,501,146)
Culture and recreation	1,246,228		16,792		(1,229,436)		(1,229,436)
Education	102,898				(102,898)		(102,898)
Conservation of natural resources	112,025				(112,025)		(112,025)
Economic development and assistance	201,133			655,961	454,828		454,828
Interest on long-term debt	1,238,220				(1,238,220)		(1,238,220)
Total Governmental Activities	<u>33,989,973</u>	<u>2,640,481</u>	<u>6,107,420</u>	<u>827,078</u>	<u>(24,414,994)</u>		<u>(24,414,994)</u>
Business-type activities:							
Solid Waste	2,276,891	2,067,440				(209,451)	(209,451)
Total Business-type Activities	<u>2,276,891</u>	<u>2,067,440</u>	<u>0</u>	<u>0</u>	<u>(209,451)</u>	<u>(209,451)</u>	<u>(209,451)</u>
Total Primary Government	<u>\$ 36,266,864</u>	<u>4,707,921</u>	<u>6,107,420</u>	<u>827,078</u>	<u>(24,414,994)</u>	<u>(209,451)</u>	<u>(24,624,445)</u>
General revenues:							
Property taxes					\$ 18,544,714		18,544,714
Road & bridge privilege taxes					831,580		831,580
Grants and contributions not restricted to specific programs					1,245,637		1,245,637
Unrestricted interest income					61,945		61,945
Miscellaneous					1,368,457	345,650	1,714,107
Transfers					(42,073)	42,073	
Total General Revenues and Transfers					<u>22,010,260</u>	<u>387,723</u>	<u>22,397,983</u>
Changes in Net Position					<u>(2,404,734)</u>	<u>178,272</u>	<u>(2,226,462)</u>
Net Position - Beginning, as previously reported					55,916,723	(294,952)	55,621,771
Prior period adjustments					(244,541)	195,845	(48,696)
Net Position - Beginning, as restated					<u>55,672,182</u>	<u>(99,107)</u>	<u>55,573,075</u>
Net Position - Ending					<u>\$ 53,267,448</u>	<u>79,165</u>	<u>53,346,613</u>

The notes to the financial statements are an integral part of this statement.

JONES COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	<u>Major Funds</u>				
	<u>General</u>	<u>Howard</u>	<u>Countywide</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Industries</u>	<u>Bond &</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Interest Sinking</u>	<u>Funds</u>	<u>Funds</u>
			<u>Fund</u>		
ASSETS					
Cash	\$ 1,825,106		227,570	8,630,697	10,683,373
Property tax receivable	9,843,953		2,543,482	3,659,313	16,046,748
Fines receivable (net of allowance for uncollectibles of \$5,072,303)	2,288,868				2,288,868
Loans receivable		750,000			750,000
Capital lease receivable		11,800,000			11,800,000
Intergovernmental receivables	359,470			5,456	364,926
Other receivables	20,193				20,193
Due from other funds	22,167		42,773	160,735	225,675
Advances to other funds	51,949			146,000	197,949
Total Assets	\$ <u>14,411,706</u>	<u>12,550,000</u>	<u>2,813,825</u>	<u>12,602,201</u>	<u>42,377,732</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 360,550			453,149	813,699
Intergovernmental payables	632,098				632,098
Due to other funds	186,188			51,666	237,854
Advances from other funds				146,000	146,000
Deferred revenue	12,132,821	11,800,000	2,543,482	3,659,313	30,135,616
Amounts held in custody for others	248,944				248,944
Total Liabilities	\$ <u>13,560,601</u>	<u>11,800,000</u>	<u>2,543,482</u>	<u>4,310,128</u>	<u>32,214,211</u>
Fund balances:					
Nonspendable:					
Advances	51,949				51,949
Restricted for:					
General government				78,250	78,250
Public safety				725,131	725,131
Public works				7,338,710	7,338,710
Culture and recreation				45,119	45,119
Debt service			270,343		270,343
Unemployment compensation				45,798	45,798
Committed to:					
General government				111,461	111,461
Public safety				45,179	45,179
Culture and recreation				156,424	156,424
Assigned to:					
Public safety				54,230	54,230
Unassigned	799,156	750,000		(308,229)	1,240,927
Total Fund Balances	\$ <u>851,105</u>	<u>750,000</u>	<u>270,343</u>	<u>8,292,073</u>	<u>10,163,521</u>
Total Liabilities and Fund Balances	\$ <u>14,411,706</u>	<u>12,550,000</u>	<u>2,813,825</u>	<u>12,602,201</u>	<u>42,377,732</u>

The notes to the financial statements are an integral part of this statement.

JONES COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,163,521
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$120,611,838.	87,781,488
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,288,868
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(59,216,184)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(504,498)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	11,800,000
Deferred charges - bond issuance costs	<u>954,253</u>
Total Net Position - Governmental Activities	\$ <u><u>53,267,448</u></u>

The notes to the financial statements are an integral part of this statement.

JONES COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2013

	Major Funds				
	General	Howard	Countywide	Other	Total
	Fund	Industries	Bond & Interest Sinking	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 12,520,748		2,987,352	3,036,614	18,544,714
Road and bridge privilege taxes				831,580	831,580
Licenses, commissions and other revenue	459,660			39,014	498,674
Fines and forfeitures	515,776			695,995	1,211,771
Intergovernmental revenues	2,120,728		58,932	6,000,475	8,180,135
Charges for services	260,351			703,081	963,432
Interest income	17,347			44,598	61,945
Miscellaneous revenues	463,392			905,065	1,368,457
Total Revenues	16,358,002	0	3,046,284	12,256,422	31,660,708
EXPENDITURES					
Current:					
General government	8,430,704			853,579	9,284,283
Public safety	4,741,171			2,603,168	7,344,339
Public works	219,837			14,304,507	14,524,344
Health and welfare	1,138,000			1,651,923	2,789,923
Culture and recreation	398,905			779,689	1,178,594
Education	102,898				102,898
Conservation of natural resources	111,439				111,439
Economic development and assistance	195,925				195,925
Debt service:					
Principal	61,712	1,350,000	2,138,791	1,477,417	5,027,920
Interest	4,251		1,252,577	223,122	1,479,950
Total Expenditures	15,404,842	1,350,000	3,391,368	21,893,405	42,039,615
Excess of Revenues over (under) Expenditures	953,160	(1,350,000)	(345,084)	(9,636,983)	(10,378,907)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	43,293			9,155,922	9,199,215
Proceeds from sale of capital assets	22,554			698,550	721,104
Compensation for loss of capital assets	8,619				8,619
Transfers in	30,000		391,188	1,238,841	1,660,029
Transfers out	(660,358)			(1,041,744)	(1,702,102)
Lease principal payments		1,000,000			1,000,000
Total Other Financing Sources and Uses	(555,892)	1,000,000	391,188	10,051,569	10,886,865
Net Changes in Fund Balances	397,268	(350,000)	46,104	414,586	507,958
Fund Balances - Beginning, as previously reported	328,084	1,100,000	2,164,857	8,074,980	11,667,921
Prior period adjustments	125,753		(1,940,618)	(197,493)	(2,012,358)
Fund Balances - Beginning, as restated	453,837	1,100,000	224,239	7,877,487	9,655,563
Fund Balances - Ending	\$ 851,105	750,000	270,343	8,292,073	10,163,521

The notes to the financial statements are an integral part of this statement.

JONES COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 507,958
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$7,583,360 exceeded depreciation of \$3,575,087 in the current period.	4,008,273
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$1,196,652 and the proceeds from the sale of \$721,104 and compensation for loss of \$8,619 in the current period.	(1,926,375)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(33,396)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$5,027,920 exceeded debt proceeds of \$9,199,215.	(4,171,295)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences	(31,629)
The decrease in accrued interest payable	192,546
Bond issuance cost on general obligation bonds	132,793
The amortization of general obligation bond issuance cost	(82,505)
The amortization of general obligation bond discount	(4,563)
The amortization of general obligation bond premium	20,837
The amortization of deferred refunding charges	(17,378)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	(1,000,000)
Change in Net Position of Governmental Activities	\$ <u>(2,404,734)</u>

The notes to the financial statements are an integral part of this statement.

JONES COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2013

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Garbage Fund</u>
ASSETS	
Current assets:	
Cash	\$ 116,895
Accounts receivable (net of allowance for uncollectibles of \$1,370,639)	277,421
Total Current Assets	<u>394,316</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	453,941
Total Noncurrent Assets	<u>453,941</u>
Total Assets	<u>848,257</u>
LIABILITIES	
Current liabilities:	
Claims payable	61,648
Due to other funds	22,167
Advances from other funds	51,949
Accrued interest payable	4,947
Unearned revenue	168,473
Capital debt:	
Capital leases payable	160,689
Total Current Liabilities	<u>469,873</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	264,449
Non-capital debt:	
Compensated absences payable	34,770
Total Noncurrent Liabilities	<u>299,219</u>
NET POSITION	
Net investment in capital assets	28,803
Restricted for:	
Public works	50,362
Total Net Position	<u>\$ 79,165</u>

The notes to the financial statements are an integral part of this statement.

JONES COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Fund
	Garbage Fund
Operating Revenues	
Charges for services	\$ 2,067,440
Miscellaneous	251,477
Total Operating Revenues	<u>2,318,917</u>
Operating Expenses	
Personal services	1,086,486
Contractual services	502,208
Materials and supplies	503,464
Depreciation expense	146,000
Indirect administrative cost	22,167
Total Operating Expenses	<u>2,260,325</u>
Operating Income (Loss)	<u>58,592</u>
Nonoperating Revenues (Expenses)	
Gain (loss) on sale of capital assets	(4,522)
Compensation for loss of county property	98,695
Interest expense	(16,566)
Net Nonoperating Revenue (Expenses)	<u>77,607</u>
Net Income (Loss) Before Transfers	136,199
Transfers in	<u>42,073</u>
Changes in Net Position	<u>178,272</u>
Net Position - Beginning, as previously reported	(294,952)
Prior period adjustment	195,845
Net Position - Beginning, as restated	<u>(99,107)</u>
Net Position - Ending	<u>\$ 79,165</u>

The notes to the financial statements are an integral part of this statement.

JONES COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Garbage Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,049,498
Payments to suppliers	(1,098,710)
Payments to employees	(1,077,313)
Other operating cash receipts	251,477
Net Cash Provided (Used) by Operating Activities	<u>124,952</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	244,249
Proceeds from sale of capital assets	57,647
Compensation on loss of county property	98,695
Acquisition and construction of capital assets	(269,249)
Principal paid on long-term debt	(204,780)
Interest paid on debt	(11,620)
Other receipts (payments)	42,073
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(42,985)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	81,967
Cash and Cash Equivalents at Beginning of Year	<u>34,928</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 116,895</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 58,592
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	146,000
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(26,128)
Increase (decrease) in claims payable	(64,265)
Increase (decrease) in compensated absences liability	2,120
Increase (decrease) in unearned revenue	8,186
Increase (decrease) in interfund payables	447
Total Adjustments	<u>66,360</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 124,952</u></u>

Noncash Capital Financing Activity:

Jones County lease purchased mobile equipment for \$244,249 for 5 years at 1.89% interest.
No principal payments were made on the lease during the year.

The notes to the financial statements are an integral part of this statement.

JONES COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 341,102
Due from other funds	34,346
Total Assets	\$ <u>375,448</u>
LIABILITIES	
Intergovernmental payables	\$ <u>375,448</u>
Total Liabilities	\$ <u>375,448</u>

The notes to the financial statements are an integral part of this statement.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jones County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jones County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- South Central Regional Medical Center
- West Jones Fire Protection District
- Sharon-Shady Grove Fire Protection District
- Northeast Jones Fire Protection District
- South Jones Fire Protection District

State law pertaining to County government provides for the independent election of County officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Howard Industries Fund – This fund is used to account for loan and lease payments received from Howard Industries, Inc., which are used for the payment of related bond principal and interest.

Countywide Bond and Interest Sinking Fund - This fund is used to account for retirement of long-term debt of the County.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

The County reports the following major Enterprise Fund:

Garbage Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any County, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Current year general infrastructure and those acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all road and bridges and other infrastructure assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by the County.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

O. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct cash balance for amounts which were miscoded as cash held in escrow in prior year.	\$ (2,012,358)
To adjust long-term liabilities to include loans held for Debar Construction and the associated capital lease receivable at 9/30/13.	(212,009)
To reduce long-term liabilities due by the amount of the 2004 Construction Bond that was refunded in the prior year.	1,984,270
To correct errors in capital assets.	(4,354)
Total prior period adjustments	\$ <u>(244,541)</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To correct cash balance for amounts which were miscoded as cash held in escrow in prior year.	\$ (2,012,358)
To reclassify Special Escrow Fund from Other Governmental Funds to General Fund	125,753
Other Governmental Fund	(125,753)
Total prior period adjustments	\$ <u>(2,012,358)</u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

<u>Explanation</u>	<u>Amount</u>
To correct prior year accounts receivable.	\$ <u>195,845</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$11,141,370, and the bank balance was \$11,692,239. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Fund	\$ 22,167
Countywide Bond and Interest Sinking Fund	General	42,773
Other Governmental Funds	General	109,069
Other Governmental Funds	Other Governmental Funds	51,666
Agency Funds	General	<u>34,346</u>
Total		\$ <u>260,021</u>

The receivables represent the tax revenue collected but not settled until October, 2013, short-term loans, and indirect cost from the Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Fund	\$ 51,949
Other Governmental Funds	Other Governmental Funds	<u>146,000</u>
Total		\$ <u>197,949</u>

The advances represent interfund loans relating to indirect cost associated with solid waste operations and an interfund loan relating to reimbursable grant funds. The advance is not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 30,000
Countywide Bond and Interest Sinking Fund	Other Governmental Funds	391,188
Other Governmental Funds	General Fund	618,285
Other Governmental Funds	Other Governmental Fund	620,556
Solid Waste Fund	General Fund	<u>42,073</u>
Total		\$ <u>1,702,102</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 330,879
Crime victim assistance	8,791
Public safety partnership and community policing grant	19,800
Emergency management performance grant	2,154
Homeland security grant	3,302
Total Governmental Activities	<u>\$ 364,926</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2013, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Debar Construction CDBG Loan	5/1/1995	5.25%	7/1/2006	\$ 27,003
Debar Construction CDBG Loan	9/30/1998	5.50%	9/30/2009	200,096
Howard Industries MBIA Loan	12/1/1998	N/A	12/1/2018	750,000
Total				\$ 977,099
Less: Allowance for doubtful accounts*				227,099
Net Loans Receivable				<u>\$ 750,000</u>

*The two Debar Construction CDBG loans receivables were determined to be uncollectible in fiscal year 2011.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 1,243,210	13,069		(210,000)	1,046,279
Construction in progress	9,408,967			(9,408,967)	
Total non-depreciable capital assets	10,652,177	13,069	0	(9,618,967)	1,046,279
Depreciable capital assets:					
Infrastructure	149,204,007	1,096,853			150,300,860
Buildings	20,766,749	1,827,884	2,563,695	9,618,967	29,649,905
Improvements other than buildings	45,257				45,257
Mobile equipment	13,581,478	1,022,960	1,785,629	1,762,988	14,581,797
Furniture and equipment	3,082,753	239,206	54,408	(19,058)	3,248,493
Leased property under capital leases	8,290,696	3,383,388	413,493	(1,739,856)	9,520,735
Total depreciable capital assets	194,970,940	7,570,291	4,817,225	9,623,041	207,347,047

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Less accumulated depreciation for:</u>					
Infrastructure	98,602,803	567,408			99,170,211
Buildings	7,043,451	610,830	1,179,300	41,197	6,516,178
Improvements other than buildings	1,810	1,810			3,620
Mobile equipment	9,590,406	1,096,957	1,515,518	1,057,854	10,229,699
Furniture and equipment	2,388,287	201,449	46,212		2,543,524
Leased property under capital leases	2,292,416	1,096,633	149,820	(1,090,623)	2,148,606
Total accumulated depreciation	119,919,173	3,575,087	2,890,850	8,428	120,611,838
Total depreciable capital assets, net	75,051,767	3,995,204	1,926,375	9,614,613	86,735,209
Governmental activities capital assets, net	\$ 85,703,944	4,008,273	1,926,375	(4,354)	87,781,488

* Adjustments to capital assets were for (1) transfers of completed capital leases to the proper classification, (2) transfers of completed construction in progress to the proper classification, (3) miscellaneous adjustments made to correctly present capital assets at the year end.

Business-type activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Depreciable capital assets:</u>					
Mobile equipment	268,734	25,000	139,093		154,641
Furniture and equipment	27,893				27,893
Leased property under capital leases	603,277	244,249	104,913		742,613
Total depreciable capital assets	899,904	269,249	244,006	0	925,147
<u>Less accumulated depreciation for:</u>					
Mobile equipment	210,541	12,330	125,185		97,686
Furniture and equipment	25,641				25,641
Leased property under capital leases	270,861	133,670	56,652		347,879
Total accumulated depreciation	507,043	146,000	181,837	0	471,206
Total depreciable capital assets, net	392,861	123,249	62,169	0	453,941
Business-type activities capital assets, net	\$ 392,861	123,249	62,169	0	453,941

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 173,562
Public safety	911,033
Public works	2,072,444
Health and welfare	291,207
Culture and recreation	121,633
Economic Development	5,208
	<hr/>
Total governmental activities depreciation expense	\$ 3,575,087
	<hr/>
Business-type activities:	
Solid waste	\$ 146,000
	<hr/>

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Until August 31, 2002, the County financed its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County was exposed. Premium payments to the pool were determined on an actuarial basis. The County purchased commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities were reported when it was probable that a loss had occurred and the amount of that loss could be reasonably estimated.

On January 11, 2013, Mississippi Public Entity Employee Benefit Trust officially closed the County's public entity risk pool. The County receipted the last payment on January 23, 2013 in the amount of \$5,667.36.

The County had no year end liability as of September 30, 2013.

(9) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2013:

Classes of Property	Amount
Industrial Facilities for Howard Industries	\$ 7,700,000
Industrial Facilities for Howard Industries	4,100,000
	<hr/>
Total	\$ 11,800,000
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JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2013, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>
2014	\$ 1,000,000
2015	1,000,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
2019 – 2023	5,150,000
2024 – 2027	<u>1,650,000</u>
Total	\$ <u><u>11,800,000</u></u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	\$ 2,952,058	
Mobile equipment	5,731,816	742,613
Furniture and equipment	<u>836,861</u>	
Total	9,520,735	742,613
Less: Accumulated depreciation	<u>2,148,606</u>	<u>347,879</u>
Leased Property Under Capital Leases	\$ <u><u>7,372,129</u></u>	<u><u>394,734</u></u>

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,471,470	205,038	160,689	11,711
2015	1,360,155	170,034	135,763	5,863
2016	1,300,332	136,433	65,883	2,461
2017	1,386,973	97,602	62,803	1,197
2018	346,335	75,841		
2019 – 2023	1,009,984	250,658		
2024 – 2026	<u>682,542</u>	<u>53,777</u>		
Total	\$ <u><u>7,557,791</u></u>	<u><u>989,383</u></u>	<u><u>425,138</u></u>	<u><u>21,232</u></u>

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(10) Other Postemployment Benefits.

Plan Description

The Jones County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Jones County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(11) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Enterprise bonds for Howard Industries	\$ 30,000	0.00%	04-2014
MBIA bonds for Tech Park	2,435,000	3.00%	03-2021
2008 Road bonds	3,650,000	3.00/4.25%	06-2023
Series 2009(A) bond	5,050,000	3.00/4.00%	09-2021
Series 2009(B) bond	3,265,000	5.50/6.10%	09-2024
MBIA bonds for Howard Industries	750,000	0.00%	06-2018
MBIA bonds for Tech Park	7,700,000	0.00%	11-2023
MBIA bonds for Tech Park	4,100,000	0.00%	04-2025
Series 2010 Construction Bond	2,685,000	2.50/3.50%	12-2025
Series 2012 Road Bond	2,365,000	2.00%	06-2027
Series 2012 Refunding Bond	2,575,000	2.00%	10-2018
2013 Road Bond	6,000,000	2.00%	05-2028
Total General Obligation Bonds	\$ 40,605,000		
B. Special Obligation Bonds:			
Series 2011 Bond – Co. Rest Home	\$ 5,800,000	2.50/5.50%	04-2031
Series 2012 Bond – Co. Rest Home	4,335,000	2.50/3.50%	04-2031
Total Special Obligation Bonds	\$ 10,135,000		
C. Capital Leases:			
Server Upgrade	\$ 10,064	3.34%	01-2014
35PPM Digital BW Copier	3,791	2.25%	11-2015
Surveillance system	9,462	3.34%	03-2014

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Motorola Microwave System	23,982	3.13%	05-2014
2006 Ford rescue truck	33,381	4.24%	06-2017
2006 Ford mini-pumper	23,486	3.60%	11-2015
Mauldin Paver	32,012	3.00%	10-2013
2 Durapatchers	33,133	3.15%	04-2014
Used 2006 Lo-boy	11,661	3.14%	09-2014
3 Kubota tractors	29,886	3.24%	01-2014
PacMac Knuckleboom	26,346	3.19%	02-2014
Kubota with Diamond side mower	42,156	3.10%	09-2014
2 Ford F750 trucks	50,486	3.08%	01-2015
Five Position CC 5500 consoles	368,234	3.26%	01-2018
2 2011 International dump trucks	72,654	2.91%	04-2015
2 dump trucks	72,558	2.77%	07-2015
2005 Vermeer brush chipper	13,608	3.34%	10-2013
Kubota tractor	18,570	3.17%	12-2014
Road Hog milling machine	25,477	3.00%	06-2015
3 Diamond side mowers	31,846	3.00%	05-2015
E911 Dispatching work station	181,980	2.83%	06-2019
2 Tahoes and 1 Ford F150	60,903	2.34%	03-2016
Skid Steer and Backhoe	105,985	2.19%	05-2016
Kubota Tractor and Broom Sweeper	56,805	2.11%	07-2016
Dump Truck	36,364	2.04%	09-2016
John Deere Bulldozer and Forestry Pkge	106,596	2.25%	12-2015
2011 Ford F150	20,484	2.12%	01-2016
2005 Mack Pull Truck	34,102	2.12%	01-2016
Used 2003 Ford 350 Dump Truck	14,418	2.41%	02-2016
2007 Vermeer Wood Chipper	20,489	2.41%	02-2016
John Deere 160 DLC	129,208	2.29%	04-2015
1998 Ford (2) 2007 Bush Hogs	30,322	2.17%	05-2014
2003 International 2012 Ford F150	46,845	2.29%	05-2016
2012 Chevrolet Tahoe	31,224	2.08%	07-2016
2000 Ford F350	12,064	2.38%	07-2016
2002 International Dump Truck	20,336	2.40%	06-2016
(2) 2013 Ford Taurus	49,973	2.00%	07-2016
DHS Building	2,467,685	3.89%	04-2026
2013 Ford trucks	43,293	1.82%	09-2017
Lee Boy force feed loader	169,000	1.89%	03-2017
2002 Sterling grapple truck and 1996 Ford truck	72,350	1.89%	03-2017
John Deere trackhoe and (2) 310SK backhoes	361,600	1.74%	04-2016
2013 Dodge Ram 1500 truck	23,750	1.93%	04-2017
6 2013 John Deere tractors with boom & side mowers	654,862	1.67%	09-2017
2012 Mack tandem dump truck & Vermeer wood chipper	155,822	1.89%	03-2017
John Deere compact excavator	63,700	1.74%	04-2016
2000 Sterling pot hole patcher	40,000	1.97%	04-2017
2013 Mack dump truck with ox body	124,953	1.87%	10-2016
2013 John Deere excavator	152,500	1.68%	07-2016

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2013 Kubota tractor with diamond boom	111,837	1.67%	09-2017
2005 Caterpillar tractor with side boom	49,900	1.82%	09-2017
2013 Kubota diesel tractor with diamond boom	111,837	1.67%	10-2017
2004 John Deere dozer and asphalt truck	91,500	1.89%	03-2017
2013 Mack tandem dump truck	142,860	1.69%	05-2016
3 Kubota tractor with boom	240,420	1.68%	06-2017
2013 Caterpillar backhoe	93,476	1.91%	10-2017
2005 Sterling pull truck	49,500	1.82%	09-2017
2003 Sterling pot hole patcher	49,800	2.19%	05-2017
Caterpillar mini excavator	49,602	1.97%	11-2016
2013 Mack tandem dump truck	124,953	1.73%	02-2016
John Deere backhoe 210SK	86,000	1.74%	04-2016
2006 Chevrolet C6500 dump truck	40,700	2.09%	06-2017
2006 Chevrolet bucket truck & 2007 Chevrolet dump truck	95,000	2.04%	07-2017
Total Capital Leases	\$ 7,557,791		
D. Other Loans:			
MS Development Authority – Debar*	\$ 27,003	5.50%	07-2006
MS Development Authority – Debar*	200,096	5.50%	07-2010
Total Other Loans	\$ 227,099		

*The possibility exists that Jones County may not have to repay these two Debar loans because they have made a good faith effort to collect after the bankruptcy of Debar Construction, Inc. Currently a judgment has been issued in favor of the County to have Debar a repay the loans. No funds have been received as of the current date.

Business-type Activities:

A. Capital Leases:			
3 NuWay garbage trucks	\$ 28,266	3.05%	08-2014
Garbage truck	45,384	3.05%	01-2015
2001 Ford Sterling garbage truck	19,088	3.23%	02-2015
Pac-Mac RL20H garbage truck	53,501	3.01%	02-2015
2002 Sterling garbage truck	22,144	3.00%	09-2015
2012 Ford truck	12,506	2.08%	08-2016
2 2013 Freightliner truck	244,249	1.89%	03-2017
Total Capital Leases	\$ 425,138		

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 3,540,000	760,329	420,000	388,937
2015	3,570,000	698,966	435,000	379,412
2016	3,640,000	636,107	445,000	368,363
2017	3,505,000	573,463	455,000	357,063
2018	3,580,000	508,901	465,000	344,288
2019 – 2023	16,410,000	1,504,233	2,575,000	1,480,556
2024 – 2028	6,360,000	251,660	3,120,000	938,431
2029 – 2033			2,220,000	211,725
Total	\$ 40,605,000	4,933,659	10,135,000	4,468,775

Year Ending September 30	Other Loans	
	Principal	Interest
2014	\$ 227,099	23,351

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2013, the amount of outstanding debt was equal to 7.27% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 703,401	31,629			735,030	
General obligation bonds	39,830,000	6,000,000	3,345,000	(1,880,000)	40,605,000	3,540,000
Less:						
Deferred amount on refunding			(17,378)	(104,270)	(86,892)	
Add:						
Premiums	137,817		20,837		116,980	
Special obligation bonds	10,135,000				10,135,000	420,000
Less:						
Discounts	(78,387)		(4,563)		(73,824)	
Capital leases	6,056,496	3,199,215	1,682,920	(15,000)	7,557,791	1,471,470
Other loans				227,099	227,099	
Total	\$ 56,784,327	9,230,844	5,026,816	(1,772,171)	59,216,184	5,431,470

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Business-type Activities:						
Compensated absences	\$ 32,650	2,120			34,770	
Capital leases	385,669	244,249	204,780		425,138	160,689
Total	\$ 418,319	246,369	204,780	-	459,908	160,689

*Adjustments represent \$15,000 in capital lease paid off in prior year, \$227,099 in outstanding loans which were taken off long-term liabilities in error, to remove old outstanding debt of \$1,880,000 for 2004 Construction bond which was refunded by the \$2,790,000 Series 2012 Refunding Bond, and book deferred refunding charges for the \$2,790,000 Series 2012 Refunding bond.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, and Solid Waste Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
Home Grant Program Fund	\$ 8,500
Emergency Operations Center Fund	163,466
District 3 Road Fund	136,263

(13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

Hospital Revenue Bond Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the South Central Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2013, is \$25,520,000.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(14) Joint Ventures.

The County participates in the following joint ventures:

Jones County is a participant with the Cities of Laurel, Ellisville, and Sandersville in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Laurel-Jones County Library. The joint venture was created to provide free public library service to the citizens of Jones County. The Jones County Board of Supervisors appoints one of the four members of the board of directors. By contractual agreement, the County's appropriation to the joint venture was \$335,000 in fiscal year 2013. Complete financial statements for the Laurel-Jones County Library can be obtained from 530 Commerce Street, Laurel, MS 39440.

Jones County is a participant with Forrest County, the cities of Hattiesburg and Laurel, and the State of Mississippi in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Hattiesburg-Laurel Regional Airport Authority. The joint venture was created to develop and maintain the airport for the members of the board of commissioners. The Jones County Board of Supervisors appoints one of the five members of the board of commissioners. By contractual agreement, the County's appropriation to the joint venture was \$242,004 in fiscal year 2013. Complete financial statements for the Hattiesburg-Laurel Regional Airport Authority can be obtained from 1002 Terminal Drive, Moselle, MS 39459.

Jones County is a participant with the Counties of Covington and Perry, and the Cities of Hattiesburg, Laurel, and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Jones County Board of Supervisors appoints two of the 12 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements of the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Jones County is a participant with the Cities of Laurel, Ellisville, Soso and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the County. The Jones County Board of Supervisors appoints six of the 22 members of the board of trustees. By contractual agreement, the County's appropriation to the joint venture was \$151,023 in fiscal year 2013. Complete financial statements for the Jones County Economic Development Authority can be obtained from P.O. Box 527, Laurel, MS 39441.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jones County Board of Supervisors appoints one of the 34 members of the board of directors. The County appropriated \$49,000 for support of the district in fiscal year 2013.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry, and Wayne. The Jones County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$137,748 for support of the entity in fiscal year 2013.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith, and Wayne. The Jones County Board of Supervisors appoints six of the 20 members of the college board of trustees. The County appropriated \$2,197,151 for maintenance and support of the college in fiscal year 2013.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Pearl River Valley Opportunity, Inc. operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jones County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each County provides a modest amount of financial support when matching funds are required for federal grants.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15 – member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

South Mississippi Fair operates in a district composed of Jones County and the City of Laurel. The Jones County Board of Supervisors appoints five of the ten members of the fair commission. The County issued general obligation bonds for the construction of a multi-purpose building to be used by the South Mississippi Fair. The County appropriated \$60,500 for support of the fair in fiscal year 2013.

(16) Defined Benefit Pension Plan.

Plan Description. Jones County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$1,680,217, \$1,552,091 and \$1,390,819, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Jones County evaluated the activity of the County through November 13, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Subsequent to September 30, 2013, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/21/13	1.66%	\$ 533,717	Capital lease	Ad valorem taxes
10/21/13	1.66%	18,878	Capital lease	Ad valorem taxes
11/04/13	1.74%	74,963	Capital lease	Ad valorem taxes
11/04/13	1.74%	122,120	Capital lease	Ad valorem taxes
12/16/13	1.61%	90,530	Capital lease	Ad valorem taxes
12/16/13	1.74%	36,494	Capital lease	Ad valorem taxes
12/16/13	1.90%	60,850	Capital lease	Ad valorem taxes
12/16/13	1.90%	69,500	Capital lease	Ad valorem taxes
01/06/14	1.95%	36,494	Capital lease	Ad valorem taxes
01/21/14	1.95%	145,856	Capital lease	Ad valorem taxes
01/21/14	1.95%	158,917	Capital lease	Ad valorem taxes
03/01/14	1.87%	144,950	Capital lease	Ad valorem taxes
04/01/14	2.32%	49,900	Capital lease	Ad valorem taxes
04/01/14	2.32%	49,800	Capital lease	Ad valorem taxes
04/01/14	1.89%	39,643	Capital lease	Ad valorem taxes
04/01/14	1.89%	26,254	Capital lease	Ad valorem taxes
04/01/14	1.89%	138,185	Capital lease	Ad valorem taxes
05/01/14	2.57%	48,600	Capital lease	Ad valorem taxes
05/01/14	1.58%	278,582	Capital lease	Ad valorem taxes
05/01/14	1.89%	274,239	Capital lease	Ad valorem taxes
06/01/14	1.87/2.50%	7,000,000	General Obligation bond	Ad valorem taxes
07/01/14	1.94%	38,905	Capital lease	Ad valorem taxes

JONES COUNTY

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JONES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JONES COUNTY

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JONES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 11,988,872	12,059,938	12,059,938	
Licenses, commissions and other revenue	420,000	466,919	466,919	
Fines and forfeitures	485,000	511,829	511,829	
Intergovernmental revenues	1,819,349	2,141,093	2,141,093	
Charges for services	235,000	260,351	260,351	
Interest income	40,000	17,409	17,409	
Miscellaneous revenues	540,000	597,209	597,209	
Total Revenues	<u>15,528,221</u>	<u>16,054,748</u>	<u>16,054,748</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	9,019,088	8,355,547	8,355,547	
Public safety	4,093,913	4,467,140	4,467,140	
Public works	242,000	242,004	242,004	
Health and welfare	1,135,851	1,137,199	1,137,199	
Culture and recreation	345,000	345,500	345,500	
Education	100,000	102,859	102,859	
Conservation of natural resources	110,827	110,933	110,933	
Economic development and assistance	169,463	195,925	195,925	
Total Expenditures	<u>15,216,142</u>	<u>14,957,107</u>	<u>14,957,107</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>312,079</u>	<u>1,097,641</u>	<u>1,097,641</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000	30,000	30,000	
Transfers out	(303,000)	(980,914)	(980,914)	
Total Other Financing Sources and Uses	<u>(300,000)</u>	<u>(950,914)</u>	<u>(950,914)</u>	<u>0</u>
Net Change in Fund Balance	12,079	146,727	146,727	
Fund Balances - Beginning	<u>2,927,735</u>	<u>411,772</u>	<u>512,072</u>	<u>100,300</u>
Fund Balances - Ending	<u>\$ 2,939,814</u>	<u>558,499</u>	<u>658,799</u>	<u>100,300</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JONES COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Howard Industries Fund
For the Year Ended September 30, 2013
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 1,350,000	1,350,000	1,350,000	
Total Revenues	1,350,000	1,350,000	1,350,000	0
EXPENDITURES				
Current:				
Debt service:				
Principal	1,350,000	1,350,000	1,350,000	
Total Expenditures	1,350,000	1,350,000	1,350,000	0
Excess of Revenues over (under) Expenditures				0
Net Change in Fund Balance				
Fund Balances - Beginning				0
Fund Balances - Ending	\$ 0	0	0	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JONES COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2013 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Howard Industries Fund
Budget (Cash Basis)	\$ 146,727	0
Increase (Decrease)		
Net adjustments for revenue accruals	479,799	
Net adjustments for expenditure accruals	(229,258)	(350,000)
GAAP Basis	\$ 397,268	(350,000)

JONES COUNTY

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JONES COUNTY

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SUPPLEMENTAL INFORMATION

JONES COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi State Treasurer's Office Schools and roads - grants to states	10.665	N/A	\$ <u>139,692</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	* 14.228	1128-11-034-ED-01	<u>881,829</u>
U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety Crime victim assistance - ARRA (Note B)	16.575	09-XA-134-1	11,205
Crime victim assistance	16.575	11-VA-134-1	24,715
Crime victim assistance	16.575	12-VA-134-1	<u>8,791</u>
Subtotal			<u>44,711</u>
STOP violence against women formula grants	16.588	11-SL-134-1	<u>17,102</u>
Passed-through the University of Southern Mississippi Project safe neighborhoods	16.609	USM-GR04134-04-10	<u>12,325</u>
Passed-through the Mississippi Office of Homeland Security Public safety partnership and community policing grants	16.710	2011-UM-WX-0104	<u>118,800</u>
Total U.S. Department of Justice			<u>192,938</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR-NBIS-078B(34)	<u>50,430</u>
U.S. Department of Transportation - National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety State and community highway safety	20.600	12-PT-134-1	<u>22,176</u>
Total U.S. Department of Transportation			<u>72,606</u>

JONES COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grant - public assistance (presidentally declared disasters)	97.036	FEMA-4081-DR-MS	<u>41,535</u>
Hazard mitigation grant	97.039	DR-1604-MS-0381	<u>181,837</u>
Passed-through the Mississippi Office of Homeland Security Emergency management performance grant	97.042	12EMPL00	<u>53,037</u>
Homeland security grant program	97.067	10LE034	<u>3,302</u>
Total U.S. Department of Homeland Security			<u>279,711</u>
Total Expenditures of Federal Awards			\$ <u><u>1,566,776</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - American Recovery and Reinvestment Act grant

The Crime victim assistance is American Recovery and Reinvestment Act funds.

* Denotes major federal award program

JONES COUNTY

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JONES COUNTY

OTHER INFORMATION

JONES COUNTY

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JONES COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
John Burnett	Supervisor District 1	Brierfield Insurance Company	\$100,000
Danny Spradley	Supervisor District 2	Brierfield Insurance Company	\$100,000
Barry Saul	Supervisor District 3	Brierfield Insurance Company	\$100,000
Charles A. Dial	Supervisor District 4	Brierfield Insurance Company	\$100,000
Jerome Wyatt	Supervisor District 5	Brierfield Insurance Company	\$100,000
Charles Miller	County Administrator	Travelers Casualty and Surety Company	\$100,000
Larry Ishee	Chancery Clerk	Brierfield Insurance Company	\$100,000
Debbie Spalding	Purchase Clerk	Travelers Casualty and Surety Company	\$75,000
Several clerks	Assistant Purchase Clerk	Western Surety Company	\$50,000
Debbie Knotts	Receiving Clerk	Travelers Casualty and Surety Company	\$75,000
Several clerks	Assistant Receiving Clerk	Western Surety Company	\$50,000
Charles Miller	Inventory Control Clerk	Travelers Casualty and Surety Company	\$75,000
Sheila Godard (blanket bonded)	Assistant Inventory Control Clerk	Travelers Casualty and Surety Company	\$50,000
Brian Pace	Constable	Brierfield Insurance Company	\$50,000
Samuel Mitch Sumrall	Constable	Brierfield Insurance Company	\$50,000
Larry Strickland	Constable	Lexon Insurance Company	\$50,000
Bart Gavin	Circuit Clerk	Brierfield Insurance Company	\$100,000
Alex Hodge	Sheriff	Brierfield Insurance Company	\$100,000
Billie J. Graham	Justice Court Judge	Brierfield Insurance Company	\$50,000
David Lyons	Justice Court Judge	Brierfield Insurance Company	\$50,000
Willbur Howell Beech	Justice Court Judge	Brierfield Insurance Company	\$50,000
Stacy Walls	Justice Court Clerk	Western Surety Company	\$50,000
Brenda Tillman	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Kari Manning	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Shewana Gamblin	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Jennifer Yanez	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Janice Glenn	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Samantha Lynn Garner	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Yashika Smith	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Cynthia Bush	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Debra Sumrall	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Ramona Blackledge	Tax Assessor-Collector	Brierfield Insurance Company	\$100,000
Judy Beard	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Bettye Boyd	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Tina Byrd	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Sue Jernigan	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Rebecca Ann Jones	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Deborah Martin	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Wilda McCullum	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Carolyn Moody	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Edna Murphy	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Connie Shoemake	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Reanee Tanner	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Wendy Walters	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Anna Emmons	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Betty Waldrup	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Sheila Gibson	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000

JONES COUNTY

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JONES COUNTY

SPECIAL REPORTS

JONES COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Jones County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 13, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities, the business-type activities and the Garbage Fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jones County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jones County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-001, 2013-002 and 2013-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-004, 2013-005, 2013-006, and 2013-007 to be significant deficiencies

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

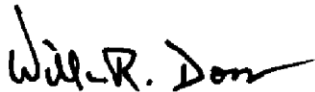
However, we noted certain matters that we reported to the management of Jones County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated November 13, 2014, included within this document.

Jones County's Responses to Findings

Jones County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jones County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 13, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Jones County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Jones County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2013. Jones County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Jones County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jones County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Jones County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Jones County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

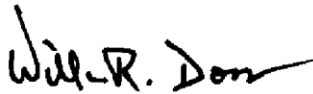
Report on Internal Control Over Compliance

Management of Jones County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jones County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 13, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Jones County, Mississippi

We have examined Jones County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Jones County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jones County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. **The County should maintain adequate fixed asset subsidiary records.**

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an Inventory Control System. An effective system of internal control over capital assets includes maintaining a complete and accurate inventory system. Certain fixed assets control procedures were inadequate for maintaining an accurate inventory of subsidiary records documenting the existence, valuation and completeness of capital assets.

The list of County assets did not agree to the indicated total asset's values of prior years' balances. Prior year capital assets' values could not be reconciled to current year detailed capital assets listings therefore; a prior period adjustment was made with the net effect of \$4,354. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of misstatement on the County's financial statements.

Recommendation

The Inventory Control Clerk should implement procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Inventory Control Clerk's Response

We do ensure beginning asset totals agree with prior year ending totals; however, we believe the ending balance in the previous year audit was adjusted resulting in the difference in the beginning balances. In the future we will adjust our records to reflect any adjustments made during the audit.

Board of Supervisors, Purchase Clerk, and Assistant Purchase Clerks.

2. Purchase Clerk and Assistant Purchase Clerk should be bonded as required by state statute.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Purchase Clerk to execute a bond in a penalty equal to \$75,000, and the Assistant Purchase Clerks to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law. The Purchase Clerk and Assistant Purchase Clerks have bonds that were written as an "indefinite" and were not adequately bonded for the fiscal year 2013. Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement additional procedures to ensure the Purchase Clerk and Assistant Purchase Clerks are bonded as required by state statute.

Board of Supervisors', Purchase Clerk's, and Assistant Purchase Clerks' Response

We will comply.

Board of Supervisors, Receiving Clerk, and Assistant Receiving Clerks.

3. Receiving Clerk and Assistant Receiving Clerks should be bonded as required by state statute

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Receiving Clerk to execute a bond in a penalty equal to \$75,000, and the Assistant Receiving Clerks to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law. The Receiving Clerk and Assistant Receiving Clerks have bonds that were written as an "indefinite" and were not adequately bonded for the fiscal year 2013. Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement additional procedures to ensure the Receiving Clerk and Assistant Receiving Clerks are bonded as required by state statute.

Board of Supervisors', Receiving Clerk's, Assistant Receiving Clerks' Response

We will comply.

Board of Supervisors, Inventory Control Clerk, and Assistant Inventory Control Clerk.

4. Inventory Control Clerk and Assistant Inventory Control Clerk should be bonded as required by state statute.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Inventory Control Clerk to execute a bond in a penalty equal to \$75,000, and the Assistant Inventory Control Clerk to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law. The Inventory Control Clerk and Assistant Inventory Control Clerk have bonds that were written as an “indefinite” and were not adequately bonded for the fiscal year 2013. Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement additional procedures to ensure the Inventory Control Clerk and Assistant Inventory Control Clerk are bonded as required by state statute.

Board of Supervisors’, Inventory Control Clerk’s, and Assistant Inventory Control Clerk’s Response

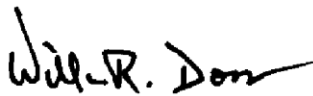
We will comply.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Jones County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Jones County’s response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jones County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 13, 2014

JONES COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.

JONES COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/02/2012	Tower Repair	\$ 26,379	Jackson Communications	Lightning strike damage
12/20/2012	Bridge Repair/Pile Splice	15,544	Magco	Immediate repair needed
04/15/2013	Tower Repair	9,473	Jackson Communications	Lightning strike damage
05/28/2013	Tower Repair	6,465	Jackson Communications	Lightning strike damage

JONES COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
11/06/2012	2012 Tax Statements	\$	15,168	Lawrence Printing
12/26/2012	2013 Mobile Home Tax Statements		2,697	Lawrence Printing



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jones County, Mississippi

In planning and performing our audit of the financial statements of Jones County, Mississippi for the year ended September 30, 2013, we considered Jones County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jones County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated November 13, 2014, on the financial statements of Jones County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Board of Supervisors should spread on the minutes, the claim numbers being approved.

Finding

Section 19-13-31, Miss. Code Ann. (1972), states, "the board shall enter an order on its minutes approving the demands and accounts allowed, but it shall only be necessary to refer to such demands and accounts by the numbers as they appear on the claims docket." The Board of Supervisors did not spread on its minutes the claim numbers being approved on the claim docket. Failure to spread the claim numbers being approved on the Board of Supervisors' minutes could result in the misappropriation of public funds.

Recommendation

The Board of Supervisors should spread on the minutes the claim numbers being approved as they appear on the claims docket.

Board of Supervisors' Response

We will comply.

2. Board of Supervisors should maintain at least two percent of covered wages in the revolving fund.

Finding

Section 71-5-359, Miss. Code Ann. (1972), requires that the County maintain a revolving fund that retains an amount not less than two (2%) of the covered wages paid during the next preceding year. As reported in the prior year's audit report, it was determined that the County had not retained sufficient level in the revolving fund. Failure to maintain the accurate amount in the revolving fund could result in loss or misappropriation of public funds.

Recommendation

The County should implement additional procedures to ensure that the revolving fund maintains cash balances of at least two percent (2%) of covered wages expected to be paid in the preceding year.

Board of Supervisors' Response

We try to budget enough each year to maintain this balance and we had placed sufficient funds in the fund at the beginning of the fiscal year. However, due to some unemployment payments made late in the fiscal year the fund was about \$10,000 under funded by year's end. We have since increased our annual budget for this fund and we will monitor it during the year to ensure it remains sufficiently funded.

3. Jones County should strengthen passwords.

Finding

During our review, we noted that Jones County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for Jones County Information Assets.

Recommendation

We recommend that Jones County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

Jones County will comply.

4. Jones County should expire all individual's passwords on a periodic basis.

Finding

A review of Jones County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Jones County.

Recommendation

We recommend that a policy be implemented to insure that passwords are expired on a regular basis. In addition, Jones County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

Jones County will comply.

5. Jones County needs to replace obsolete computer hardware and software.

Finding

Jones County is running operating systems as well as applications on some of its personal computers (PCs) that might not be supported by vendors. Due to lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that Jones County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the possible large number of PCs that need replacing, this procedure could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should be begun as soon as possible.

Board of Supervisors' Response

Jones County will comply.

Board of Supervisors and County Administrator.

6. County Administrator should be properly bonded.

Finding

Section 19-4-9, Miss. Code Ann. (1972), requires the County Administrator to execute a bond to be payable, conditioned and approved as provided by law, in a penalty equal to three percent of the sum of all the state and County taxes shown by the assessment rolls and the levies to have been collectible in the County for the year immediately preceding the commencement of the term of office for such administrator, not to exceed \$100,000. The current County Administrator was not adequately bonded for the fiscal year 2013. Failure to comply with the statutes could result in loss of public funds.

Recommendation

The County should implement additional procedures to ensure the County Administrator is bonded as required by state statute.

Board of Supervisors' and County Administrator's Response

This has been corrected.

Board of Supervisors, Justice Court Clerk, and Deputy Justice Court Clerks.

7. Justice Court Clerk and Deputy Justice Court Clerks should be bonded as required by state statute.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), state that every person appointed as Clerk or Deputy Clerk of the Justice Court shall, before entering into the duties of the position, give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other County officers, in a penalty equal to \$50,000. Section 25-1-15, Miss. Code Ann. (1972, requires a new bond in an amount not less than required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.

The Justice Court Clerk and Deputy Justice Court Clerks have bonds written as an “indefinite” time period of employment rather than the term and were not adequately bonded for the fiscal year 2013. Failure to execute bonds for a definite period as required would limit the amount available for recovery if a loss occurred over multiple terms

Recommendation

The Justice Court Clerk and Deputies should obtain a bond which states specific beginning and ending effective dates for the duration of the current term.

Board of Supervisors’, Justice Court Clerk’s, and Deputy Justice Court Clerks’ Response

We will comply.

Board of Supervisors and Tax Collector.

8. Deputy Tax Collectors should be bonded as required by state statute.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), states that each Deputy Tax Collector shall give bond to be payable, conditioned and approved as provided by law in an amount not less than \$50,000 for the faithful discharge of his duties. The Deputy Tax Collectors have bonds that do not state the employee’s position and specific beginning and ending effective dates for the fiscal year 2013. Failure to execute bonds for a definite period as required would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Tax Collector should ensure that Deputy Tax Collectors obtain a bond which states the employee’s position and specific beginning and ending effective dates.

Board of Supervisors’ and Tax Collector’s Response

We will comply.

Board of Supervisors and Circuit Clerk.

9. Deputy Circuit Clerks should be bonded as required by state statute.

Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year’s taxes with a minimum of \$50,000 and a maximum of \$100,000. As a result of audit procedures performed, it was determined that Deputy Circuit Clerks’ bonds did not adequately state beginning and ending effective dates for the fiscal year 2013. Failure to execute bonds for a definite period as required would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Circuit Clerk should ensure that Deputy Circuit Clerks obtain a bond which states specific beginning and ending effective dates for the duration of the current term.

Board of Supervisors’ and Circuit Clerk’s Response

We will comply.

Circuit Clerk.

10. Circuit Clerk should implement proper internal controls obtaining a separate cash drawer for each deputy clerk.

Finding

An effective system of internal control over the collection, recording, and disbursement of funds includes maintaining separate cash drawers for the clerk and each deputy clerk. During our test of internal controls of the Circuit Clerk's offices, in the District One office it was noted that one cash drawer was being used for receipting and making change by two deputy clerks. In the District Two office, one cash drawer was noted for receipting funds and making change by the Clerk and six deputies. Inadequate controls surrounding the collections and disbursement of funds could result in the loss or misappropriation of public funds.

Recommendation

Circuit Clerk should implement an effective system of internal controls by maintaining separate cash drawers for each deputy clerk.

Circuit Clerk's Response

Will correct to comply with the law.

11. Circuit Clerk did not have sufficient funds in its payroll clearing account.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed and delivered by the clerk until there are sufficient funds in the account upon which it is drawn to pay the same. During the testing of Circuit Clerk's annual financial report and expenses, it was noted that the Circuit Clerk's payroll clearing account had a negative cash balance of \$99,388.28 as of June 18, 2014, which is used monthly for the Circuit Clerk's employee payroll. Only five settlements were noted during fiscal year ended September 30, 2013. The failure of the Circuit to reimburse the payroll clearing account is a misappropriation of taxpayer money.

Recommendation

The Circuit Clerk should comply with the Miss. Code Section 19-13-43 by reimbursing the payroll clearing account every month for payroll and immediately repay the \$99,388.28 owed to the County for payroll reimbursement as of June 18, 2014.

Circuit Clerk's Response

Corrected.

Auditor's Note

The Clerk reimbursed the County \$99,388.28 on June 23, 2014, receipt warrant number 1400887.

12. Circuit Clerk withdrew funds in excess of the salary cap from the fee journal.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), requires that fees received by the Circuit Clerk in excess of \$90,000 be deposited into the County's general fund on or before April 15th for the preceding calendar year. During the testing of the 2013 annual financial report, it was noted that the Circuit Clerk owed the County's general fund an additional \$13,311. The Circuit Clerk was not in compliance with Miss. Code Section 9-1-43, since the additional repayment to the County was not made before April 15th.

Recommendation

The Circuit Clerk should comply with Miss. Code Section 9-1-43(1) by ensuring repayments to the County's general fund are made by April 15th each year. The Circuit Clerk should immediately repay the \$13,311 owed to the County's General Fund for over the salary cap fees of the 2013 annual financial report.

Circuit Clerk's Response

Redoing new amended Annual Financial Report and writing the County a check.

Auditor's Note

The Clerk reimbursed the County \$13,311 on July 10, 2014, receipt warrant 1400950.

Sheriff.

13. Multiple weaknesses were noted in the internal control structure in the Sheriff's Office.

Finding

An effective system of internal control over the collection, recording, and disbursement of cash should include maintaining a cash journal and the supporting documentation. The following deficiencies were noted in the accounting for cash:

- a. A cash journal was not being maintained.
- b. Daily deposits were not being made.
- c. Settlements were not being made on a monthly basis.
- d. Reconciliations of the bank account were not being made monthly.

Failure to maintain adequate accounting records increases the possibility of the loss or misappropriation of public funds.

Recommendation

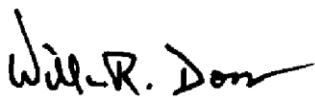
The Sheriff's Office should maintain a cash journal and the supporting documentation. The cash journal should be reconciled to the bank account on a monthly basis. Daily deposits and monthly settlements should be made.

Sheriff's Response

Beginning 4/1/14, a cash journal was created and will continue to be maintained. Daily (or as money is received) deposits are being made. Settlements are made on a monthly basis. Monthly reconciliation by the chief financial officer is set up and will be maintained. There has always been supporting documentation and this will continue.

Jones County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 13, 2014

JONES COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY

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JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Qualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unmodified |
| | Howard Industries Fund | Unmodified |
| | Countywide Bond and Interest Sinking Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| | Garbage Fund | Qualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Identification of major programs: | |
| | a. CFDA #14.228, Community development block grant/state's program | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of restricted net assets and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. District 4 Road Fund was incorrectly classified as a major fund. The result of the error understated Other Governmental Funds.
- b. Claims payable was overstated affecting the Governmental Activities, Business-Type Activities, General Fund, Other Governmental Funds, and Garbage Fund opinion units. This error resulted in claims payable being overstated in Governmental Activities by \$2,326,749, Business-Type Activities by \$121,345, the General Fund by \$1,473,754, Other Governmental Funds by \$852,995, and the Garbage Fund by \$121,345.
- c. Cash with fiscal agent was not amortized accurately per confirmation from the Mississippi Public Entity Employee Benefit Trust. This error resulted in the Governmental Activities and the General Fund cash being overstated by \$3,630.
- d. Payments to bond escrow agent for \$2,790,000 General Obligation Refunding Bond, Series 2012 and \$4,335,000 Special Obligation Bond, Series 2012 were misclassified as cash held in escrow, which resulted in a prior period adjustment to the financial statements. Cash was overstated in Governmental Activities by \$2,012,358, the Countywide Bond and Interest Sinking Fund by \$1,940,618 and Other Governmental Funds by \$71,740.
- e. Intergovernmental payables were misclassified in the category as Amounts Held in Custody for Others. Therefore, intergovernmental payables were understated by \$183,012 in Governmental Activities and the General Fund.
- f. Property tax receivable was overstated affecting Governmental Activities, General Fund, Countywide Bond and Interest Sinking Fund, and Other Governmental Funds opinion units. This error resulted in property tax receivable being overstated in Governmental Activities by \$123,018, General Fund by \$43,060, Countywide Bond and Interest Sinking Fund by \$10,765, and Other Governmental Funds by \$69,193.
- g. Indirect administrative cost associated with the operation of the Garbage Fund was not booked for the fiscal year ended September 30, 2013. The amount of indirect administrative cost was determined as \$22,167, which affects Governmental Activities, Business-Type Activities, General Fund, and Garbage Fund opinion units.

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

- h. Long-term debt liabilities were adjusted for a capital lease of Duratanker Truck which was paid off in the prior year and old outstanding loans with DeBar Construction which were taken off the financial statements in error. Governmental Activities capital debt due in less than one year was overstated by \$15,000 and capital debt due in more than one year was understated by \$227,099.
- i. The deferred refunding charges were not booked and amortized for the \$2,790,000 General Obligation Refunding Bond, Series 2012. The old outstanding debt of \$1,880,000 from 2004 Construction Bond, which was refunded by the \$2,790,000 General Obligation Refunding Bond, Series 2012 was not accurately taken off the long-term debt liabilities. These errors resulted in a prior period adjustment to the financial statements of \$1,880,000 to remove the old capital debt, \$112,959 for deferred refunding charges, \$8,689 in amortization of deferred refunding charges.
- j. The amortization of deferred charges bond issuance cost, bond premium, and deferred refunding charges were incorrectly booked for the \$2,790,000 General Obligation Refunding Bond, Series 2012. These errors resulted in misstatements of \$6,992 for amortization of bond issuance cost, \$7,220 for amortization of the bond premium, and \$17,378 for amortization of deferred refunding charges.
- k. The amortization of deferred charges bond issuance cost and bond discount were incorrectly booked for the \$4,335,000 Special Obligation Bond, Series 2012. These errors resulted in misstatements of \$5,913 for amortization of bond issuance cost and \$1,147 for amortization of the bond discount.
- l. Accrued interest payable was overstated in Governmental Activities by \$465,759 and was not booked for Business-Type Activities of \$4,947.
- m. Interfund loans were misclassified in the General Fund by \$51,949, Other Governmental Funds by \$146,000, and Garbage Fund \$51,949, all of which should have been classified as advances. These errors could have resulted in interfund loans not being repaid on a timely basis.
- n. Intergovernmental payables of \$34,346 in Governmental Activities were misclassified as internal balances.
- o. Intergovernmental revenues of \$45,674 were misclassified as road and bridge privilege taxes in Governmental Activities and Other Governmental Funds opinion units.
- p. Grant funds were not accrued in the total amount of \$34,047, affecting Governmental Activities, General Fund, and Other Governmental Funds opinion units.
- q. Expenditures were misclassified as Culture and Recreation instead of Education in the amount of \$102,898.
- r. Expenditures were misclassified as Conservation of Natural Resources instead of Economic Development in the amount of \$195,925.
- s. Expenditures of the New Rest Home Fund were misclassified as Public Safety instead of Health and Welfare in the amount of \$1,643,423.
- t. Prior year capital assets' values could not be reconciled to the current year detailed capital asset listings. This error resulted in a prior period adjustment with a net effect of \$4,354 in Governmental Activities.
- u. Net Accounts Receivable was incorrectly booked in the prior year causing a prior period adjustment to Business-Type Activities of \$195,845.
- v. Special Escrow Fund was misclassified as Other Governmental Funds. This error resulted in a prior period adjustment of \$125,753 to reclassify the fund balance of Special Escrow Fund to General Fund.

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

- w. Various fund balance classifications were not correctly classified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as required by the standard.
- x. Notes to the financial statements were incomplete and numerous corrections were made during the fiscal year audit.

Audit adjustments to correct these errors in the County's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of net assets and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

Board of Supervisors' Response

Jones County will comply.

Material Weakness

- 2013-002. Financial Data for component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data of the County's legally separate component unit. As reported in the last four years' audit reports, the financial statements do not include the financial data for the County's legally separate component units. Failure to follow generally accepted account principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial statement data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

While we understand this is considered generally accepted accounting principles to combine all component units with the primary government, in our case, it would result in financial statements that would no longer be relevant to the general public in determining the financial operations of County government. We do not feel this principal should apply to County Government and we have yet to find any other County in Mississippi that combines its hospital's financial statements with that of the County.

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Material Weakness

2013-003. The County should comply with GASB Statement 45 and report on postemployment health care benefits.

Finding

Jones County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined health care plan. GASB Statement 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for its health insurance plan. As reported in the last three years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and the Garbage Fund.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

We understand this is a new requirement placed on counties to provide this information; however, this information is very difficult to obtain. We will continue to seek help from our local insurance agent representing us for health coverage in providing this actuary information in the future.

Significant Deficiency

2013-004. The County should maintain adequate fixed asset subsidiary records.

Finding

An effective system of internal control over capital assets includes maintaining a complete and accurate inventory system. Certain fixed assets control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of capital assets. The list of County capital assets did not agree to the indicated total assets' values of prior years' balances. Prior year capital assets' values could not be reconciled to current year detailed capital asset listings therefore; a prior period adjustment was made with the net effect of \$4,354. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of misstatement on the County's financial statements.

Recommendation

The Inventory Control Clerk should implement procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Board of Supervisors' Response

We do ensure beginning asset totals agree with prior year ending total; however, we believe this ending balance in the previous year audit was adjusted resulting in the difference in the beginning balances. In the future we will adjust our records to reflect any adjustments made during the audit.

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Significant Deficiency

2013-005. Jones County should create a rotation of backups offsite.

Finding

Jones County is currently using an automated system to perform daily back-ups of the AS400. The back-ups were taken offsite until several months ago when the County purchased some new backup equipment and it became their understanding through conversations with the vendor from whom the equipment was purchased that it was no longer necessary for Jones County personnel to remove tapes from backup equipment or rotate tapes offsite. However, upon clarification of the backup processes at Jones County, it was determined that the tapes should be taken offsite, as no other copy of County data was being stored at an off-site location. Without proper off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Jones County implement a plan to insure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the Jones County Disaster Recovery Plan. With close proximity of a bank (across the street from the court house) it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g., two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

Board of Supervisors' Response

Jones County will comply

Significant Deficiency

2013-006. Jones County should establish and test a disaster recovery process.

Finding

During our review of the information systems controls of Jones County, we noted that the County has not established a disaster recovery process. As a result, Jones County cannot fully ensure that the County's Information Systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

In the specific case of Jones County, there seems to be some confusion about the responsibilities of various IT vendors, as well as the responsibilities of Jones County personnel in relation to such matters as backup procedures. These responsibilities include items such as removing tapes from backup units, taking backup tapes offsite, rotating tapes onsite, etc. In addition, there is confusion as to the types of backups that should be created and the frequency that these various backups should be created.

Jones County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Jones County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including Jones County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that Jones County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

Jones County will comply

Significant Deficiency

2013-007. Jones County should implement a formal information security policy.

Finding

Jones County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

While full compliance with all facets of such a policy may be an economic challenge for Jones County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Jones County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

Jones County will comply

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.